

# **NALA LOCAL MUNICIPALITY**



## **MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

**2015-16**

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**PART 1**

**1.1. MAYOR'S REPORT**

The Mayor's report (formerly Mayor's budget speech) will be presented by the Mayor.

**1.2. RESOLUTIONS**

1. Council hereby resolve that the annual budget of the municipality for the financial year 2015-16; and indicative budget for the two outer years 2016-17 and 2018-19 be approved as set-out in:
  - a) Table A1: Budgeted Summary
  - b) Table A2: Budget Financial Performance (revenue & expenditure by standard classification)
  - c) Table A3: Budget Financial Performance (revenue & expenditure by municipal vote)
  - d) Table A4: Budget Financial Performance (revenue & expenditure)
  - e) Table A5: Budgeted Capital Expenditure by vote, standard classification and funding
  - f) Table A6: Budget Financial Position
  - g) Table A7: Budget Cash Flow
  - h) Table A8: Cash backed reserves / accumulated surplus reconciliation
  - i) Table A9: Asset Management
  - j) Table A10: Basic Service Delivery Measurement

**1.3. EXECUTIVE SUMMARY**

This section provides an overview of the Nala Local Municipality's 2015-16 to 2017-18 Medium Term Revenue and Expenditure Framework. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of municipality.

The Municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and district government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced by Nala Local Municipality. The municipality alone cannot meet these challenges. It requires support from other spheres of Government through the direct allocation of resources, both financial and non-financial as well as the achievement of their own policies.

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Therefore the municipality's resources have been allocated taking into consideration the priorities as set out during the State of the Nation Address (SOPA), State of the Provincial Address as well as other guidelines as issued by other spheres of government. Despite this, the BTO experienced some challenges during the compilation of the 2015-16 MTREF which can be summarised as follows:

- (a) Inability to pay creditors as they become due i.e. Going concern issues;
- (b) Increased debtors book due to none payment of services which eventually leads to Cash Flow problems in the Municipality;
- (c) Lack of efficiencies in our business process i.e. High employee cost without equivalent benefit, Redundancy of staff component and lack of requisite skills to do the work.
- (d) Vacancies in key posts in Budget and Treasury and other departments i.e. Manager Budget and Reporting, Manager Revenue and Manager Assets and unaligned Organogram.
- (e) The on-going difficulties in the national and local economy and limited economic activities within Nala municipality;
- (f) Aging and poorly maintained infrastructure with no capital maintenance plans to appropriately allocate resources towards maintenance, be that as it may circular 74 recommends that the municipality budgets 7% of its budget to repairs and maintenance;
- (g) The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality due to low revenue collection rates;
- (h) The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water, Vaal Dam and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be point where services will no longer be affordable to the majority of the residents of Nala Municipality (thereby increasing the debtors book of the municipality);

Outlined below are the economic conditions considered:

**Economic Conditions:**

Indicator %	2014/15 %	2015/16 %
Consumer Inflation	6.2	6.3
GDP Growth	2.7	4.9
Repo Rate (Year and Year)	7	5.75
Prime Overdrafts	10.5	9.25
Electricity increase by Eskom	7.39	14.24
Increase in Bulk Water (Sedibeng Water)	8.8%/ R8.14	8.3% / R8.824
Salaries & Wages	6.8	7.3

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- (i) The need to develop tariffs that are cost reflective of providing such services, as a municipality we have now been able to develop cost reflective tariffs or cost of supplying the services. We have now confirmed cross subsidisation on service charges, which indicates serious inefficiencies in the manufacturing processes of the municipalities, naming but a few , Labour unrest, lack of consequence management and lack of accountability, not to mention lack of skill;
- (j) Wage increases (including long service bonuses) for municipal staff that continue to exceed consumer inflation as well as the need to fill critical vacancies;
- (k) The need to meet the community expectations in terms of service delivery with the limited financial resources at hand.

**The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:**

- (a) Budgeting for a funded and credible annual budget compared to a balanced budget;
- (b) The 2015-16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015-16 annual budget;
- (c) Tariffs on services and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity;
- (d) There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.

**Total operating revenue has grown by 4 per cent or R13.2 million for the 2015-16 financial year when compared to the 2014-15 Adjustments Budget.**

Total operating expenditure for the 2015-16 financial year has been appropriated at R475.5 million and translates into a budgeted deficit of R125.1 million. When compared to 2014-15 Adjustment Budget, operational expenditure has grown by 6% which is R27.6 million in the 2014-15 budget.

#### **1.4. DETERMINATION OF TARIFFS FOR THE 2015/16 FINANCIAL YEARS**

##### **BACKGROUND**

Notice should be given in terms of the provisions of the Local Government Municipal Finance Management Act 56/2003 as well as Chapter 4 of the Local Government Municipal Systems Act 32/2000, Nala Local Municipality will during the sitting of council adopt its annual budget, as well as the tariffs to be charged for municipal services. In relation to the 2015/2016 budget, the municipal council also has to determine the municipal assessment rates to be charged on property i.t.o. section 17 of the Local Government Municipal Finance Management Act 56/2003.

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Tariffs for municipal services and assessment rates contained in this notice should be effective from **1 July 2015**.

Nala Local Municipality is the Water Services Authority (WSA) established under the Water Services Act, 108 of 1997.

**The main source of water is:**

- **Sedibeng Water through Vaal River.**

**The main consumers of water are:**

- Domestic consumers
- Small Industrial consumers

The municipality has electricity distribution license issued by NERSA in terms of the Electricity Act, 1987 (Act No 41 of 1987). The license covers the following areas for distribution and retail:

**The main consumers of electricity within our area of jurisdiction are:**

- Bothaville
- Kgotsong and
- Wesselsbron

**ECONOMIC INDICATORS**

<b>Indicator %</b>	<b>2014/15 %</b>	<b>2015/16 %</b>
Consumer Inflation	6.2	6.3
GDP Growth	2.7	4.9
Repo Rate (Year and Year)	7	5.75
Prime Overdrafts	10.5	9.25
Electricity increase by Eskom	7.39	14.24
Increase in Bulk Water (Sedibeng Water)	8.8%/ R8.14	8.3% / R8.824
Salaries & Wages	6.8	7.3

**1.5. ANNUAL BUDGET TABLES**

Below are the annual tables as per the requirements of Municipal Budget and Reporting Regulations:

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- a) Table A1: Budget summary
- b) Table A2: Budget: Financial Performance
- c) Table A3: Budget Financial Performance (revenue and expenditure by municipal vote)
- d) Table A4: Budget Financial Performance (revenue and expenditure)
- e) Table A5: Budgeted Capital Expenditure by vote, standard, classification and funding
- f) Table A6: Budget Financial Position
- g) Table A7: Budget Cash flow
- h) Table A8: Cash backed reserves/accumulated surplus reconciliation
- i) Table A9: Asset Management
- k) Table A10: Basic service delivery measurement



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FS185 Nala - Table A1 Budget Summary

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Financial Performance</b>										
Property rates	10 947	11 449	12 061	17 500	17 311	16 452	-	19 994	20 259	21 475
Service charges	135 451	154 790	169 254	205 113	173 386	175 665	-	191 812	204 354	216 616
Investment revenue	676	1 381	1 319	-	2 082	2 016	-	2 000	2 120	2 247
Transfers recognised - operational	123 826	203 145	195 999	132 329	133 629	133 629	-	125 665	123 770	123 770
Other own revenue	8 266	(16 510)	12 187	5 817	11 732	15 140	-	11 933	12 363	13 097
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>279 166</b>	<b>354 255</b>	<b>390 819</b>	<b>360 760</b>	<b>338 141</b>	<b>342 902</b>	<b>-</b>	<b>351 405</b>	<b>362 866</b>	<b>377 204</b>
Employee costs	83 925	114 990	111 711	112 082	119 213	116 306	-	121 309	128 587	136 303
Remuneration of councillors	12 530	6 965	6 714	7 498	7 027	6 658	-	8 165	8 573	9 002
Depreciation & asset impairment	4 747	84 320	82 385	90 000	80 000	80 000	-	79 810	83 801	88 745
Finance charges	6 507	18 009	20 913	5 138	15 776	15 776	-	16 000	14 700	15 435
Materials and bulk purchases	78 685	76 883	90 891	105 665	100 530	100 886	-	112 453	121 644	131 562
Transfers and grants	27	-	32 129	22 590	25 616	25 616	-	41 341	39 113	41 538
Other expenditure	135 267	138 555	84 504	96 224	99 673	94 370	-	96 452	93 817	98 537
<b>Total Expenditure</b>	<b>321 689</b>	<b>439 723</b>	<b>429 247</b>	<b>439 197</b>	<b>447 836</b>	<b>439 612</b>	<b>-</b>	<b>475 530</b>	<b>490 236</b>	<b>521 122</b>
<b>Surplus/(Deficit)</b>	<b>(42 523)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(124 125)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Transfers recognised - capital	36 299	-	-	-	-	-	-	44 753	-	-
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>23 832</b>	<b>24 910</b>	<b>60 881</b>	<b>43 086</b>	<b>62 816</b>	<b>61 816</b>	<b>-</b>	<b>45 853</b>	<b>47 778</b>	<b>34 315</b>
Transfers recognised - capital	23 832	21 657	60 881	43 086	53 686	53 686	-	44 753	46 778	33 315
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	1 922	-	-	9 130	8 130	-	1 100	1 000	1 000
<b>Total sources of capital funds</b>	<b>23 832</b>	<b>23 579</b>	<b>60 881</b>	<b>43 086</b>	<b>62 816</b>	<b>61 816</b>	<b>-</b>	<b>45 853</b>	<b>47 778</b>	<b>34 315</b>
<b>Financial position</b>										
Total current assets	199 162	67 278	96 997	111 482	108 913	96 208	-	173 435	150 500	152 428
Total non current assets	878 590	932 116	940 031	904 798	920 174	920 174	-	900 060	890 183	900 187
Total current liabilities	212 212	238 970	273 998	271 945	300 068	304 345	-	224 200	284 500	294 800
Total non current liabilities	9 536	40 178	41 373	40 178	41 373	42 000	-	57 484	48 000	50 000
Community wealth/Equity	856 004	720 247	687 828	704 156	687 646	670 037	-	697 278	678 183	677 815
<b>Cash flows</b>										
Net cash from (used) operating	-	13 825	70 739	53 014	62 444	41 276	-	32 125	(18 134)	(41 134)
Net cash from (used) investing	-	(23 607)	(60 528)	(53 086)	(65 516)	(60 516)	-	(45 853)	(30 999)	(35 157)
Net cash from (used) financing	-	5 543	6 506	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>19 469</b>	<b>15 230</b>	<b>31 947</b>	<b>31 875</b>	<b>28 876</b>	<b>12 708</b>	<b>-</b>	<b>1 272</b>	<b>(47 861)</b>	<b>(124 152)</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	20 881	15 345	65 900	31 990	28 994	12 826	-	44 935	45 121	47 050
Application of cash and investments	157 441	127 049	141 177	166 068	154 361	169 378	-	107 458	131 009	141 017
<b>Balance - surplus (shortfall)</b>	<b>(136 560)</b>	<b>(111 704)</b>	<b>(75 277)</b>	<b>(134 078)</b>	<b>(125 367)</b>	<b>(156 552)</b>	<b>-</b>	<b>(62 523)</b>	<b>(85 888)</b>	<b>(93 967)</b>
<b>Asset management</b>										
Asset register summary (WDV)	11 710	48	940 031	48	56	56	940 036	940 036	62	65
Depreciation & asset impairment	4 747	84 320	82 385	90 000	80 000	80 000	79 810	79 810	83 801	88 745
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	4 393	3 775	-	11 516	-	-	61 474	61 474	7 705	8 091
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	22 590	25 615	25 615	31 296	31 296	28 241	28 241
Revenue cost of free services provided	-	-	-	-	-	-	41 341	41 341	-	-
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy :	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	0	0	-	-

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		29 609	157 698	149 474	149 511	159 042	153 556	156 502	125 799	133 346
Executive and council		11 519	331	14	4	94	82	6 064	8 735	9 259
Budget and treasury office		18 138	156 674	148 133	149 236	158 606	153 165	150 110	116 717	123 720
Corporate services		(48)	693	1 327	271	343	308	328	347	368
<i>Community and public safety</i>		39 306	9 645	8 060	416	508	468	559	553	586
Community and social services		24 738	3 641	333	351	417	357	401	425	451
Sport and recreation		12 775	5 944	7 631	-	0	0	0	0	0
Public safety		1 954	55	79	55	89	110	156	126	133
Housing		(160)	5	17	10	3	2	2	2	2
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		39 287	48 133	42 095	3 251	3 230	3 978	2 531	2 683	2 844
Planning and development		6 010	2 768	2 628	2 162	2 162	2 956	1 500	1 590	1 685
Road transport		33 277	45 364	39 467	1 088	1 068	1 022	1 031	1 093	1 158
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		190 760	165 126	191 191	205 782	175 361	146 361	191 813	244 097	258 742
Electricity		57 066	61 093	87 048	75 030	74 159	61 639	87 393	99 181	105 132
Water		42 213	60 155	57 217	70 397	49 574	37 718	48 860	65 874	69 826
Waste water management		66 690	19 729	18 011	32 535	24 706	22 508	26 243	37 365	39 606
Waste management		24 791	24 149	28 914	27 820	26 922	24 497	29 318	41 677	44 178
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	298 962	380 602	390 819	358 959	338 142	304 363	351 405	373 131	395 519
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		172 220	119 853	107 363	169 623	181 835	87 065	119 452	111 940	118 657
Executive and council		34 409	22 220	26 781	23 388	30 839	20 980	25 827	27 377	29 020
Budget and treasury office		129 851	82 170	61 419	132 110	134 845	51 107	70 765	60 664	64 304
Corporate services		7 960	15 463	19 163	14 125	16 152	14 978	22 860	23 899	25 333
<i>Community and public safety</i>		25 227	46 397	41 122	31 501	31 410	28 759	37 941	40 217	42 630
Community and social services		6 602	7 178	6 673	8 159	4 027	3 490	4 290	4 547	4 820
Sport and recreation		3 455	16 054	11 042	2 859	4 033	3 828	9 601	10 177	10 788
Public safety		12 394	19 836	19 699	16 863	20 125	18 483	20 390	21 613	22 910
Housing		2 751	3 288	3 665	3 574	3 205	2 942	3 660	3 879	4 112
Health		24	42	42	46	20	15	-	-	-
<i>Economic and environmental services</i>		17 436	65 684	67 616	19 195	14 801	11 394	60 373	63 996	67 835
Planning and development		1 110	2 131	3 397	3 064	6 320	3 678	3 918	4 153	4 402
Road transport		16 326	63 553	64 218	16 132	8 480	7 716	56 456	59 843	63 434
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		106 377	205 361	213 146	231 394	219 790	164 793	257 764	273 229	289 623
Electricity		60 372	73 459	80 075	93 586	93 186	69 872	112 580	119 334	126 495
Water		22 249	63 080	66 739	82 854	78 343	55 210	77 189	81 820	86 730
Waste water management		23 660	49 331	42 964	29 440	21 106	20 242	39 161	41 511	44 001
Waste management		96	19 491	23 369	25 513	27 155	19 470	28 834	30 564	32 398
<i>Other</i>	4	2	1	1	1	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	321 262	437 296	429 247	451 714	447 836	292 011	475 530	489 383	518 746
<b>Surplus/(Deficit) for the year</b>		(22 300)	(56 693)	(38 428)	(92 755)	(109 695)	12 353	(124 125)	(116 252)	(123 227)

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue by Vote</b>	1									
Council		11 063	331	14	4	94	82	11 747	8 735	9 259
Municipal Manager		456	-	-	-	-	-	4 080	-	-
Corporate Services		(51)	662	214	249	266	235	12 546	285	302
Budget and Treasury Office		18 141	156 706	149 246	149 258	158 682	153 239	109 429	116 779	123 785
Technical Services		230 046	213 257	233 284	209 033	178 591	150 339	202 810	246 779	261 586
Community and Social Services		39 307	9 647	8 062	416	509	469	10 793	553	587
0		-	-	-	-	-	-	-	-	-
Economic & Environmental Services		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	<b>298 962</b>	<b>380 602</b>	<b>390 819</b>	<b>358 959</b>	<b>338 142</b>	<b>304 363</b>	<b>351 405</b>	<b>373 131</b>	<b>395 519</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Council		30 709	19 686	24 128	20 773	27 207	17 745	21 747	23 052	24 435
Municipal Manager		3 700	2 534	2 652	2 615	3 632	3 235	4 080	4 325	4 584
Corporate Services		7 392	15 291	18 656	14 096	16 250	15 045	22 492	23 842	25 272
Budget and Treasury Office		130 419	82 341	61 926	132 139	134 746	51 039	71 132	60 721	64 365
Technical Services		123 813	271 045	280 762	250 589	234 591	176 187	318 137	337 225	357 459
Community and Social Services		25 229	46 398	41 122	31 503	31 410	28 759	37 941	40 217	42 630
0		-	-	-	-	-	-	-	-	-
Economic & Environmental Services		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	<b>321 262</b>	<b>437 296</b>	<b>429 247</b>	<b>451 714</b>	<b>447 836</b>	<b>292 011</b>	<b>475 530</b>	<b>489 383</b>	<b>518 746</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(22 300)</b>	<b>(56 693)</b>	<b>(38 428)</b>	<b>(92 755)</b>	<b>(109 695)</b>	<b>12 353</b>	<b>(124 125)</b>	<b>(116 252)</b>	<b>(123 227)</b>

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Revenue By Source</b>											
Property rates	2	10 947	11 449	12 061	17 500	17 311	16 452	-	19 994	20 259	21 475
Property rates - penalties & collection charges									-		
Service charges - electricity revenue	2	55 515	58 764	68 586	74 418	73 754	76 862	-	87 392	92 635	98 193
Service charges - water revenue	2	42 196	54 811	57 152	70 346	48 013	47 233	-	48 860	52 825	55 994
Service charges - sanitation revenue	2	15 652	17 066	18 003	32 529	24 697	24 690	-	26 243	27 817	29 486
Service charges - refuse revenue	2	22 088	24 149	25 513	27 820	26 922	26 879	-	29 318	31 077	32 942
Service charges - other											
Rental of facilities and equipment		10	70	51	50	39	56		42	44	47
Interest earned - external investments		676	1 381	1 319		2 082	2 016		2 000	2 120	2 247
Interest earned - outstanding debtors				17	4 500	10 000	12 483		10 012	10 613	11 249
Dividends received		3 248	4			12			-	-	-
Fines		30	49	70		71	104		100	106	112
Licences and permits				2		1	1		1	1	1
Agency services						-			-	-	-
Transfers recognised - operational		123 826	203 145	195 999	132 329	133 629	133 629		125 665	123 770	123 770
Other revenue	2	4 979	3 163	12 047	1 267	1 610	2 496	-	1 779	1 600	1 688
Gains on disposal of PPE			(19 796)								
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>279 166</b>	<b>354 255</b>	<b>390 819</b>	<b>360 760</b>	<b>338 141</b>	<b>342 902</b>	<b>-</b>	<b>351 405</b>	<b>362 866</b>	<b>377 204</b>
<b>Expenditure By Type</b>											
Employee related costs	2	83 925	114 990	111 711	112 082	119 213	116 306	-	121 309	128 587	136 303
Remuneration of councillors		12 530	6 965	6 714	7 498	7 027	6 658		8 165	8 573	9 002
Debt impairment	3	96 133	56 337	32 217	52 618	50 609	50 609		48 566	50 994	53 544
Depreciation & asset impairment	2	4 747	84 320	82 385	90 000	80 000	80 000	-	79 810	83 801	88 745
Finance charges		6 507	18 009	20 913	5 138	15 776	15 776		16 000	14 700	15 435
Bulk purchases	2	74 910	74 505	86 285	98 755	95 496	95 852	-	105 631	114 420	123 940
Other materials	8	3 775	2 378	4 606	6 910	5 034	5 034		6 822	7 224	7 622
Contracted services		5 324	28 100	14 995	15 938	12 558	13 001	-	12 620	13 251	13 914
Transfers and grants		27	-	32 129	22 590	25 616	25 616	-	41 341	39 113	41 538
Other expenditure	4, 5	33 810	53 874	37 293	27 668	36 506	30 759	-	35 266	29 572	31 079
Loss on disposal of PPE			243								
<b>Total Expenditure</b>		<b>321 689</b>	<b>439 723</b>	<b>429 247</b>	<b>439 197</b>	<b>447 836</b>	<b>439 612</b>	<b>-</b>	<b>475 530</b>	<b>490 236</b>	<b>521 122</b>
<b>Surplus/(Deficit)</b>		<b>(42 523)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(124 125)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Transfers recognised - capital		36 299							44 753		
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>(6 223)</b>	<b>(85 468)</b>	<b>(38 428)</b>	<b>(78 437)</b>	<b>(109 695)</b>	<b>(96 709)</b>	<b>-</b>	<b>(79 372)</b>	<b>(127 369)</b>	<b>(143 917)</b>

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	2										
Council		-	-	-	-	-	-	-	-	-	-
Municipal Manager		-	-	-	-	-	-	-	-	-	-
Corporate Services		-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
Technical Services		-	-	-	-	-	-	-	-	-	-
Community and Social Services		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
Economic & Environmental Services		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	7	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	2										
Council		-	1 922	-	-	-	-	-	-	-	-
Municipal Manager		-	-	-	-	-	-	-	-	-	-
Corporate Services		-	-	-	-	-	-	-	-	-	-
Budget and Treasury Office		-	-	-	-	9 000	8 000	-	1 000	1 000	1 000
Technical Services		1 331	-	14 175	3 442	14 172	14 172	-	23 036	17 000	2 000
Community and Social Services		-	-	7 669	9 531	9 531	9 531	-	2 617	-	-
0		-	-	-	-	-	-	-	-	-	-
Economic & Environmental Services		22 501	21 657	39 037	30 113	30 113	30 113	-	19 200	29 778	31 315
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
0		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		23 832	23 579	60 881	43 086	62 816	61 816	-	45 853	47 778	34 315
<b>Total Capital Expenditure - Vote</b>		23 832	23 579	60 881	43 086	62 816	61 816	-	45 853	47 778	34 315
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>		-	1 922	-	-	9 000	8 000	-	1 000	1 000	1 000
Executive and council			1 922	-							
Budget and treasury office						9 000	8 000		1 000	1 000	1 000
Corporate services											
<b>Community and public safety</b>		-	-	7 669	9 531	9 531	9 531	-	2 617	-	-
Community and social services				854	3 569	3 569	3 569				
Sport and recreation				6 815	5 962	5 962	5 962		2 617		
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		22 501	21 657	39 037	30 113	30 243	30 243	-	19 200	29 778	31 315
Planning and development						130	130		100		
Road transport		22 501	21 657	39 037	30 113	30 113	30 113		19 100	29 778	31 315
Environmental protection											
<b>Trading services</b>		1 331	1 331	14 175	3 442	14 042	14 042	-	21 598	17 000	2 000
Electricity		1 331	1 331	14 175	3 442	13 442	13 442		16 790	17 000	2 000
Water						600	600				
Waste water management									4 808		
Waste management											
<b>Other</b>									1 438		
<b>Total Capital Expenditure - Standard</b>	3	23 832	24 910	60 881	43 086	62 816	61 816	-	45 853	47 778	34 315
<b>Funded by:</b>											
National Government		22 501	21 657	40 881	43 086	43 086	43 086		28 753	44 778	31 315
Provincial Government											
District Municipality											
Other transfers and grants		1 331	-	20 000		10 600	10 600		16 000	2 000	2 000
Transfers recognised - capital	4	23 832	21 657	60 881	43 086	53 686	53 686	-	44 753	46 778	33 315
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			1 922			9 130	8 130		1 100	1 000	1 000
<b>Total Capital Funding</b>	7	23 832	23 579	60 881	43 086	62 816	61 816	-	45 853	47 778	34 315

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A6 Budgeted Financial Position

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		20 881	15 229	6 373	31 874	28 876	12 708		8 798	15 000	16 928
Call investment deposits	1	-	-	29 764	-	-	-	-	36 137	30 000	30 000
Consumer debtors	1	62 496	45 844	48 929	75 308	78 000	78 000	-	123 000	100 000	100 000
Other debtors		5 497	4 945	9 894	3 000	-	3 000		3 000	3 000	3 000
Current portion of long-term receivables											
Inventory	2	110 288	1 260	2 037	1 300	2 037	2 500		2 500	2 500	2 500
<b>Total current assets</b>		<b>199 162</b>	<b>67 278</b>	<b>96 997</b>	<b>111 482</b>	<b>108 913</b>	<b>96 208</b>	<b>-</b>	<b>173 435</b>	<b>150 500</b>	<b>152 428</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments			116	29 764	116	118	118			121	122
Investment property		11 690	-	-	-	-	-				
Investment in Associate		-	-	-	-	-	-				
Property, plant and equipment	3	866 828	931 952	910 101	904 634	920 000	920 000	-	900 000	890 000	900 000
Agricultural		-	-	-	-	-	-				
Biological		-	-	-	-	-	-				
Intangible		20	48	56	48	56	56		60	62	65
Other non-current assets		52	-	111	-	-	-				
<b>Total non current assets</b>		<b>878 590</b>	<b>932 116</b>	<b>940 031</b>	<b>904 798</b>	<b>920 174</b>	<b>920 174</b>	<b>-</b>	<b>900 060</b>	<b>890 183</b>	<b>900 187</b>
<b>TOTAL ASSETS</b>		<b>1 077 752</b>	<b>999 394</b>	<b>1 037 027</b>	<b>1 016 280</b>	<b>1 029 087</b>	<b>1 016 382</b>	<b>-</b>	<b>1 073 495</b>	<b>1 040 683</b>	<b>1 052 615</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1			-					-		
Borrowing	4	26 908	42 001	48 507	42 001	48 507	52 000	-	-	58 000	58 000
Consumer deposits		1 447	1 432	1 565	1 600	2 000	2 000		2 200	2 500	2 800
Trade and other payables	4	157 441	173 425	200 711	223 345	226 345	226 345	-	198 000	200 000	210 000
Provisions		26 416	22 112	23 216	5 000	23 216	24 000		24 000	24 000	24 000
<b>Total current liabilities</b>		<b>212 212</b>	<b>238 970</b>	<b>273 998</b>	<b>271 945</b>	<b>300 068</b>	<b>304 345</b>	<b>-</b>	<b>224 200</b>	<b>284 500</b>	<b>294 800</b>
<b>Non current liabilities</b>											
Borrowing		9 536	-	-	-	-	-	-	-	-	-
Provisions		-	40 178	41 373	40 178	41 373	42 000	-	57 484	48 000	50 000
<b>Total non current liabilities</b>		<b>9 536</b>	<b>40 178</b>	<b>41 373</b>	<b>40 178</b>	<b>41 373</b>	<b>42 000</b>	<b>-</b>	<b>57 484</b>	<b>48 000</b>	<b>50 000</b>
<b>TOTAL LIABILITIES</b>		<b>221 748</b>	<b>279 148</b>	<b>315 371</b>	<b>312 123</b>	<b>341 441</b>	<b>346 345</b>	<b>-</b>	<b>281 684</b>	<b>332 500</b>	<b>344 800</b>
<b>NET ASSETS</b>	5	<b>856 004</b>	<b>720 247</b>	<b>721 656</b>	<b>704 156</b>	<b>687 646</b>	<b>670 037</b>	<b>-</b>	<b>791 811</b>	<b>708 183</b>	<b>707 815</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		768 417	720 247	687 828	704 156	687 646	670 037	-	697 278	678 183	677 815
Reserves	4	87 588	-	-	-	-	-	-	-	-	-
Minorities' interests											
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>856 004</b>	<b>720 247</b>	<b>687 828</b>	<b>704 156</b>	<b>687 646</b>	<b>670 037</b>	<b>-</b>	<b>697 278</b>	<b>678 183</b>	<b>677 815</b>

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A7 Budgeted Cash Flows

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates, penalties & collection charges			154 790	144 169	155 415	155 665	115 058		14 996	12 058	12 781
Service charges								143 860	141 323	149 802	
Other revenue								1 922	5 350	5 645	
Government - operating	1		196 735	193 698	129 831	131 531	131 531	125 665	123 668	111 282	
Government - capital	1		-		45 248	57 548	57 548	44 753	30 999	35 157	
Interest			1 381	1 319	-			12 011	2 756	2 921	
Dividends			4	6	-			-	2	2	
<b>Payments</b>											
Suppliers and employees			(321 076)	(247 539)	(269 480)	(266 524)	(262 861)	(266 251)	(286 776)	(308 366)	
Finance charges			(18 009)	(20 913)	(8 000)	(15 776)		(8 000)	(8 400)	(8 820)	
Transfers and Grants	1							(36 830)	(39 114)	(41 539)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	13 825	70 739	53 014	62 444	41 276	-	32 125	(18 134)	(41 134)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE								-	-	-	
Decrease (Increase) in non-current debtors								-	-	-	
Decrease (increase) other non-current receivables								-	-	-	
Decrease (increase) in non-current investments								-	-	-	
<b>Payments</b>											
Capital assets			(23 607)	(60 528)	(53 086)	(65 516)	(60 516)	(45 853)	(30 999)	(35 157)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	(23 607)	(60 528)	(53 086)	(65 516)	(60 516)	-	(45 853)	(30 999)	(35 157)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans			5 558	6 506				-	-	-	
Borrowing long term/refinancing			(15)					-	-	-	
Increase (decrease) in consumer deposits								-	-	-	
<b>Payments</b>											
Repayment of borrowing								-	-	-	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	5 543	6 506	-	-	-	-	-	-	
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	(4 239)	16 717	(72)	(3 072)	(19 240)	-	(13 728)	(49 133)	(76 291)
Cash/cash equivalents at the year begin:	2	19 469	19 469	15 230	31 947	31 947	31 947	15 000	1 272	(47 861)	
Cash/cash equivalents at the year end:	2	19 469	15 230	31 947	31 875	28 876	12 708	1 272	(47 861)	(124 152)	

**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

FS185 Nala - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	19 469	15 230	31 947	31 875	28 876	12 708	-	1 272	(47 861)	(124 152)
Other current investments > 90 days		1 412	(1)	4 189	(1)	0	0	-	43 662	92 861	171 080
Non current assets - Investments	1	-	116	29 764	116	118	118	-	-	121	122
<b>Cash and investments available:</b>		<b>20 881</b>	<b>15 345</b>	<b>65 900</b>	<b>31 990</b>	<b>28 994</b>	<b>12 826</b>	<b>-</b>	<b>44 935</b>	<b>45 121</b>	<b>47 050</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		25 996	16 387	7 559	5 000	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	131 445	110 661	133 618	161 068	154 361	169 378	-	107 458	131 009	141 017
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
<b>Total Application of cash and investments:</b>		<b>157 441</b>	<b>127 049</b>	<b>141 177</b>	<b>166 068</b>	<b>154 361</b>	<b>169 378</b>	<b>-</b>	<b>107 458</b>	<b>131 009</b>	<b>141 017</b>
<b>Surplus(shortfall)</b>		<b>(136 560)</b>	<b>(111 704)</b>	<b>(75 277)</b>	<b>(134 078)</b>	<b>(125 367)</b>	<b>(156 552)</b>	<b>-</b>	<b>(62 523)</b>	<b>(85 888)</b>	<b>(93 967)</b>





**NALA LOCAL MUNICIPALITY**  
**2015-16 Medium Term Expenditure and Revenue Frame Work**

**FS185 Nala - Table A10 Basic service delivery measurement**

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		21 440	21 440	21 440	23 940	24	24	21 667 000	24	24
Piped water inside yard (but not in dwelling)										
Using public tap (at least min.service level)	2							-		
Other water supply (at least min.service level)	4							-		
<i>Minimum Service Level and Above sub-total</i>		21 440	21 440	21 440	23 940	24	24	21 667 000	24	24
Using public tap (< min.service level)	3							-		
Other water supply (< min.service level)	4							-		
No water supply								-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	21 440	21 440	21 440	23 940	24	24	21 667 000	24	24
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		15 129	15 129	15 129	17 629	17 629	17 629	17 629	17 629	17 629
Flush toilet (with septic tank)								-		
Chemical toilet								-		
Pit toilet (ventilated)								-		
Other toilet provisions (> min.service level)								-		
<i>Minimum Service Level and Above sub-total</i>		15 129	15 129	15 129	17 629	17 629	17 629	17 629	17 629	17 629
Bucket toilet								-		
Other toilet provisions (< min.service level)								-		
No toilet provisions								-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	15 129	15 129	15 129	17 629	17 629	17 629	17 629	17 629	17 629
<b>Energy:</b>										
Electricity (at least min.service level)										
Electricity - prepaid (min.service level)										
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)										
Electricity - prepaid (< min. service level)										
Other energy sources										
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		17 961	17 961	17 961	20 461	20 461	20 461	20 461	20 461	20 461
<i>Minimum Service Level and Above sub-total</i>		17 961	17 961	17 961	20 461	20 461	20 461	20 461	20 461	20 461
Removed less frequently than once a week								2		
Using communal refuse dump								2		
Using own refuse dump								-		
Other rubbish disposal								-		
No rubbish disposal								-		
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	4	-	-
<b>Total number of households</b>	5	17 961	17 961	17 961	20 461	20 461	20 461	20 465	20 461	20 461
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)					8 080	8 080	8 080	8 000	8 080	8 080
Sanitation (free minimum level service)					8 080	8 080	8 080	8 000	8 080	8 080
Electricity/other energy (50kwh per household per month)					8 080	8 080	8 080	8 000	8 080	8 080
Refuse (removed at least once a week)					8 080	8 080	8 080	8 000	8 080	8 080
<b>Cost of Free Basic Services provided (R'000)</b>	8									
Water (6 kilolitres per household per month)					6 405	6 615	6 615	5 328	7 293	7 293
Sanitation (free sanitation service)					5 650	9 000	9 000	10 176	9 923	9 923
Electricity/other energy (50kwh per household per month)					4 946	4 000	4 000	3 792	4 410	4 410
Refuse (removed once a week)					5 589	6 000	6 000	12 000	6 615	6 615
<b>Total cost of FBS provided (minimum social packa</b>		-	-	-	22 590	25 615	25 615	31 296	28 241	28 241
<b>Highest level of free service provided</b>										
Property rates (R value threshold)								80 000		
Water (kilolitres per household per month)								6		
Sanitation (kilolitres per household per month)								-		
Sanitation (Rand per household per month)								125		
Electricity (kwh per household per month)								50		
Refuse (average litres per week)								-		
<b>Revenue cost of free services provided (R'000)</b>	9									
Property rates (R15 000 threshold rebate)										
Property rates (other exemptions, reductions and rebates)								10 045		
Water								5 328		
Sanitation								10 176		
Electricity/other energy								3 792		
Refuse								12 000		
Municipal Housing - rental rebates								-		
Housing - top structure subsidies								-		
Other								-		
<b>Total revenue cost of free services provided (total social package)</b>	6							41 341		

## **PART 2**

### **2.1. BUDGET PROCESS**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the annual budget. The Mayor tabled the required IDP process plan and budget time schedule in line with the applicable legislation. However, adherence to these plans was not achieved as the processes were not undertaken exactly at the dates that were indicated in the plans.

The budget was discussed at length by Executive Committee of council.

### **2.2. Alignment of the annual budget with the integrated development plan**

The municipality has taken some steps in aligning the budget and the integrated development plan; annual budget and service delivery & budget implementation plan, as this was an audit query raised by the office of the Auditor General during the 2013-14 audit.

Therefore, management must pay special attention to aligning the above mentioned processes and ensuring genuine consultation of the stakeholders during the review of the IDP and annual budget compilation. Furthermore, the performance management framework must be fully functional and effective to ensure that a credible SDBIP is compiled which is fully linked to both the IDP and MTREF.

### **2.3. Measurable performance objectives**

Performance Management is a system intended to manage and monitor service delivery progress against the predetermined strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed a performance management system (in the process of implementation) of which system is constantly refined as the integrated planning process unfolds. The measurable performance objectives will be included in the service delivery and budget implementation plan when it is submitted to the Mayor for approval.

### **2.4. Overview of the budget-related policies**

The Municipal Budget and Reporting Regulations promulgated under the Municipal Finance Management Act, prescribe the budget-related policies that must be approved together with the budget. Although the municipality has complied in terms of compiling such policies and have them approved by Council, there has been major challenges (both internal and external) when it comes to implementation and adherence to such policies. Below is the overview of the policies reviewed:

#### **2.4.1 Credit control and debt collection policy**

Credit control policy was discussed and reviewed as follows:

- Credit control should be strictly applied.
- In the instances below should be fitted with prepaid meters on electricity and water. So that households are able to better manage their use/consumption. This would be a great move to increase our collection.
  - All the public office buildings.
  - All the defaulters.

#### **2.4.3 Asset Management policy**

Because of the work being done on asset to clear the issues raised by the auditor general in 30 June 2014 financial year, Management developed an asset management policy in compliance to GRAP17.

#### **2.4.4 Supply chain management policy**

The Auditor General raised many issues relating to our supply chain management process and policy. The outstanding issues that the Auditor general has raised are around irregular expenditure and fruitless and wasteful expenditure. The review of this policy was made to incline more with Supply chain regulations to reduce the amounts regarded as irregular and fruitless and wasteful and the impact they would have in the image of the institution.

The lack in the fully implementing these is actually lack of enough staff to deal with supply chain related challenges.

Management has made strides in giving a report to AMPAC on Irregular expenditure, fruitless and wasteful.

#### **2.4.5 Cash management and investment policy**

The cash management and investment policy was drafted for implementation in 2015/16 financial yearend. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

There is need to develop procedure manuals and creation of petty cash for petty amenities to be procured as they impact in the service delivery services.

#### **2.4.6 Tariff policies**

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. The challenge still remains of ensuring that all proposed tariffs reflect the cost of providing such services.

This policy will be reviewed for better implementation for the coming years.

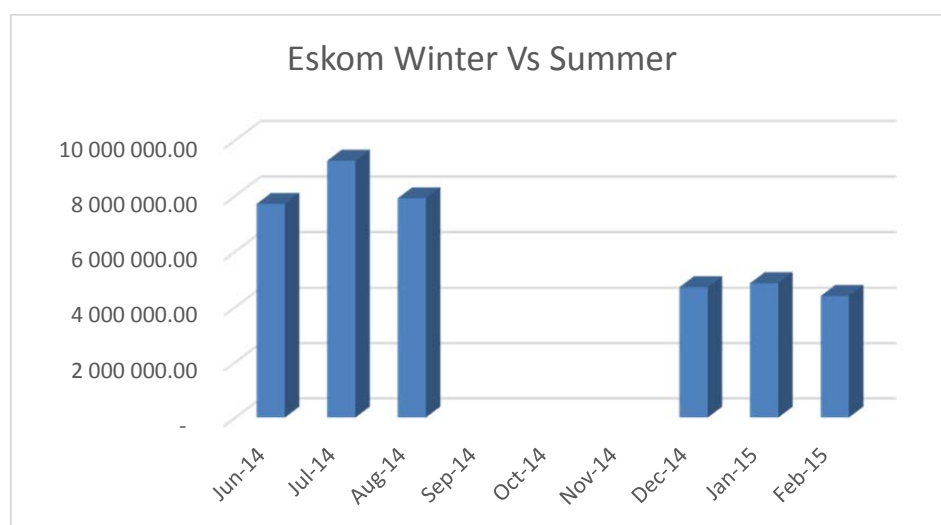
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Below is the indication of proposed tariff and how they will affect the consumer:

House Hold per Month	Rent		
	2014/15	2015/16	% Increase
Refuse Removal	118.5	125	5.5%
Sewerage Network	100	106	6.0%
	218.50	231.00	5.7%
<b>Vat Incl</b>	<b>249.09</b>	<b>263.34</b>	<b>-5.4%</b>

Below is the indication of Eskom cost for bulk purchases and street lights.



ESKOM Winter Vs Summer Bill	
Months	Amount
Jun-14	7 709 823.63
Jul-14	9 258 085.79
Aug-14	7 907 260.03
Dec-14	4 711 840.55
Jan-15	4 854 235.51
Feb-15	4 391 016.84

#### 2.4.7. Indigent support policy

The indigent support policy was reviewed and this policy prescribes the threshold for indigent consumers as well as the free basic service component. The municipality has been experiencing problems where indigent consumers have been utilising services above the threshold thereby being unable to pay for the services, especially on water.

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With policy consultations the point that excess of services consumed by the indigents must be paid by the indigent.

Attached below is an estimated cost of providing indigent services.

House Hold per Month	Indigent Cost and Benefit		
	2014/15	2015/16	% Increase
Property rate Rebate	R 100 000	R 100 000	0.0%
6KL Water	8.5	9.3	9.4%
50KWH Electricity	1.08	0.79	-26.9%
Refuse Removal	118.5	125	5.5%
Sewerage Network	100	106	6.0%
<b>Cost Excl VAT</b>	R 228.08	R 241.09	
<b>VAT Incl</b>	<b>260.0112</b>	<b>274.8426</b>	<b>5.7%</b>
Number of Indigents (Estimate)	8 000	8 200	
Total Cost	24 961 075.20	27 044 511.84	

#### 2.4.8. Property rates policy

Property rates policy was reviewed and implemented successfully, there following was a change in 2015/16 year.

EXCO Free State Resolution no. 102 of 2014 with regard to the above mentioned has reference.

1. Pursuant thereto please be advised that the Executive Council has adopted a Policy Directive whereby Churches, Creches, Old Age Homes and other Social Care facilities be exempted from rates and taxes. With due regard to the provisions of section 160(2)(c) of the Constitution of the Republic of South Africa, 1996 (Act. No. 108 of 1996), as amended, read with section 15(l)(a) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004), it is advised that Council revisits its Municipal Property Rates Policy so that in the 2015/2016 .financial year Churches, Creches, Old Age Homes and other Social Care facilities may be exempted from rates and taxes.

2. It is further advised that the Municipal Property Rates Policy and By-law be amended to the extent that Churches, Creches, Old Age Homes and other Social Care facilities may apply to be exempted from rates and taxes and that Council may within its discretion consider such applications on the merits of each case.

#### 2.4.9. Related party policy

The related party policy is reviewed as and when there are necessary amendments to the policy.

## 2.5. Overview of the budget assumptions

Budgets are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year. In compiling the 2015-16 Annual Budget, the following pivotal issues and assumptions were taken into consideration and modelled into the budget planning process:

- (a) Economic climate and poverty levels within the municipality will remain the same / constant for major part of the financial year given the limited economic activities within the vicinity;
- (b) That the revenue collection will increase / improve up to 75% collection rate for the 2015-16 financial year;
- (c) Cash flow projections will be strictly maintained to ensure the municipality's ability to meet its financial obligations; to actually reduce the following costs.
  - Accommodation and travelling.
  - Legal costs
  - Catering
  - Overtime
  - Printing and Stationery
  - Telephone cost
  - Etc
- (d) The budget is prepared in the assumption that no allocations as per the 2015 annual Division of Revenue Act will be withheld / offset / paid back to the NRF.
- (e) Operational costs will be maintained or reduced where ever possible or reduced as cost containment measures and where there is material decrease in revenue collection rate, expenditure will have to be reduced at the same proportion;
- (f) Filling of vacant posts will be prioritised taking into account the cash flow projections of the municipality.

## 2.6. Overview of the budget funding

The operating budget will be funded from operational grants as well as revenue to be collected from service charges and property rates. Government grants and subsidies make.

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Description	Current Year 2013/14		2014/15 MTREF		2015/16 MTREF	
	Original Budget	Adjusted Budget	Original Budget	Adjustment Budget	Original Budget	Cash Budget
Property rates	18 418 000	12 628 000	17 500 000	17 311 084	19 994 000	14 996 000
Service charges - electricity revenue	97 838 280	64 690 000	74 418 303	73 509 837	87 391 624	71 229 322
Service charges - water revenue	47 072 256	68 481 000	70 346 000	48 013 256	48 859 974	37 375 980
Service charges - sanitation revenue	19 461 024	18 082 000	32 529 000	24 697 115	26 242 638	19 681 978
Service charges - refuse revenue	28 156 128	25 526 000	27 820 000	27 166 606	29 318 130	21 988 597
Rental of facilities and equipment	50 000	50 000	50 000	38 496	41 500	41 500
Interest earned - outstanding debtors	10 520 840	-	4 500 000	10 011 977	10 012 000	7 500 000
Interest earned - Investments				2 082 350	2 000 000	2 009 000
Fines	70 000	70 000	-	70 500	100 000	-
Licences and permits	1 000	3 000	-	500	500	-
Transfers recognised - operational	135 210 000	135 210 000	132 329 400	133 629 400	125 665 000	124 685 000
Other revenue	5 416 635	5 416 635	1 267 172	1 610 447	1 779 000	3 766 356
<b>Total Revenue</b>	<b>362 214 163</b>	<b>330 156 635</b>	<b>360 759 875</b>	<b>338 141 568</b>	<b>351 404 366</b>	<b>303 273 733</b>
Employee related costs	102 579 843	102 580 000	112 081 808	119 213 165	121 309 000	121 309 000
Remuneration of councillors	7 498 000	7 249 000	7 698 964	7 026 973	8 165 061	8 165 061
Debt impairment	52 618 000	66 644 000	66 644 000	50 609 356	48 565 993	
Depreciation & asset impairment	22 659 000	84 659 000	90 000 000	80 000 000	79 810 000	
Finance charges	5 138 000	5 138 000	8 000 000	15 776 165	16 000 000	16 000 000
Bulk purchases	92 112 000	97 112 000	98 755 057	95 496 235	105 631 000	105 631 000
Other materials	6 910 000	6 910 000	7 338 420	5 034 294	6 822 000	6 822 000
Contracted services	18 321 649	15 007 649	15 938 496	12 557 990	12 620 000	12 620 000
Transfers and grants	22 590 000	22 590 000	22 590 000	25 615 800	41 341 000	
Other expenditure	20 637 101	33 656 000	27 667 776	36 506 335	35 226 000	35 226 000
<b>Total Expenditure</b>	<b>351 063 593</b>	<b>441 545 649</b>	<b>456 714 522</b>	<b>447 836 313</b>	<b>475 490 054</b>	<b>305 773 061</b>
<b>Surplus/(Deficit)</b>	<b>11 150 570</b>	<b>(111 389 014)</b>	<b>(95 954 647)</b>	<b>(109 694 745)</b>	<b>(124 085 688)</b>	<b>(2 499 328)</b>
Budget Deficit	3%	-25%	-21%	-24%	-26%	-1%
SA Budget Deficit					3.9%	

**Basis for revenue projections:**

For the first time in the history of the municipality we were able to generate a cost reflective tariff. The factual findings and the general impact differs per service charge as in some services it is positive and others negative although the overall impact is positive, it stands to reason that other services would subsidize others.

This reflection will be monitored in the 2015/16 financial year and any immediate adjustments will be made as time.

**Property rates:** The increase of 13%, R2.6 million is as a result of new valuation value increases and other identified sites that were unidentified. It was also realised that the municipality's property rates for government build was below practised and this was corrected in consultation with public works department.

**Electricity revenue:** NERSA has approved 14.24% increase on bulk purchase in line with ESKOM tariff increase for municipality and a guideline increase of 12.20% for resell. As we try to reduce our distribution losses on electricity the municipality is picking up areas that were stealing electricity and hence the 16% increase in revenue, the electricity revenue projections are based upon NERSA tariff approvals.

It should also be noted that the recommendation made by NERSA will lead to a general deficit on Electricity services if the municipality does not improve on its own business process and increase efficiencies.



**Water revenue:** The 2% increase is because of distribution losses and none payment of services by the community. However of note is the current realisation of cost of supply on water. This real impact will be monitored and a corrective measure will be made in time.

**Refuse and Sanitation:** Are in line with general increases of around 6% that are recommended. However the affordability of these services is key.

**Interest earned on Outstanding Debtors:** Council decided not to increase interest charged on outstanding debtors from the current 9%.

**Interest earned on Investment:** It is important to note that these are not investment over a fixed term, this is interest earned on the funds received from the MIG and Equitable share allocation as they are being used as and when needed.

#### **Basis for Expenditure projections:**

**Employee Related Cost:** The employee cost of R121 309 000 has been steadily measured in the past taking into consideration overtime payments, employees cost related allowance that are experienced, this means the current cost is not only the basic cost of employee. The possible increase of about 7% is factored in, on the calculations reflected.

It is important to note that employee cost is 27% of the budget, which is faire in comparison with the trends and norms in the sector.

**Remuneration of councillors:** An increase of 14% takes into consideration the review envisaged on public office bearer, however the municipality will be advised of the changes.

The increases in public office bearers salary increases happen later in the year, it is important that the municipality is not court off guard when the time for increases as it is also required by the upper limit notice that the salaries need to budgeted for.

**Debt impairment and Depreciation:** Are none cash items and are benchmarked to the financial statements.

**Finance Charges:** This interest on current creditors and not loans are long term portion of creditors as the municipality does not have.

The R16 Million is as a result of cash flow problems that the municipality is experiencing.

**Bulk Purchase:** Incorporates the new tariff hikes from ESKOM and Sedibeng on this projection is included the cost of supply.

#### **2.7 Expenditure on allocations and grant programmes**

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The funding for capital budget will be from Municipal Infrastructure Grant as well as internally generated funds to the extent possible. Municipal Infrastructure Grant will fund the list of projects below.

MIG Reference Nr	Project Description	Planned MIG Expenditure for 2015/2016	Status	Planned date:
	PMU	1 437 650.00		
MIG/FS0868/R,ST/12/13	Monyakeng : Paved Roads Phase 4(a) (2.2km)	600 000.00	Retention	01/02/2012
MIG/FS0885/R,ST/12/13	Kgotsong : Paved Roads Phase 4(b) (2.5km)	5 828 748.80	Construction	01/02/2013
MIG/FS0886/R,ST/12/13	Monyakeng : Paved Roads Phase 4(b) (2.5km)	183 828.90	Retention	01/02/2013
MIG/FS1010/CL/13/15	Monyakeng/Wesselbron: Instalation of 7 High Mast lights.	550 000.00	Construction	01/02/2014
MIG/FS1011/CL/13/15	Kgotsong/Bothaville: Instalation of 7 High Mast lights.	240 000.00	Construction	01/02/2014
MIG/FS1012/CF/13/15	Monyakeng/Wessesbron: Upgrade of Sports Park	1 322 616.73	Construction	01/04/2014
MIG/FS1033/R,ST/14/16	Monyakeng: Construction of 2km paved road and storm water drainage - phase 4c (MIS219040)	6 484 978.13	Construction	01/10/2014
MIG/FS1051/CF/14/16	Kgotsong: Upgrading of sports park phase 2 (MIS:219042)	2 617 478.69	Construction	01/04/2014
	Kgotsong: Upgrade of outfall sewer and WWTW phase 1	4 807 957.57	Not Registered	01/08/2015
	Kgotsong: Construction of 1.5km paved internal access roads and storm water drainage	4 679 741.18	Not Registered	01/09/2015
	Monyakeng: Upgrade of Tennis Courts and related facilities		Not Registered	2015/16 Year
	Kgotsong : Fencing at the cemetery Phase 2		Not Registered	2015/16 Year
	Monyakeng: Intallation of new water meters: Domestic, Bulk and Zonal		Not Registered	2015/16 Year
	Kgotsong: Replacement of ageing domestic water meters		Not Registered	2016/17 Year
	Monyakeng: Installation of water network valves including chambers		Not Registered	2016/17 Year
	Kgotsong: New Recreational park		Not Registered	2016/17 Year
	Kgotsong: Construction (upgrade) of southern & northern entrance roads (1.0km)		Not Registered	2016/17 Year
	Monyakeng: Construction (upgrade) of southern & northern entrance roads (1.0km)		Not Registered	2016/17 Year
	<b>Total</b>	28 753 000.00		

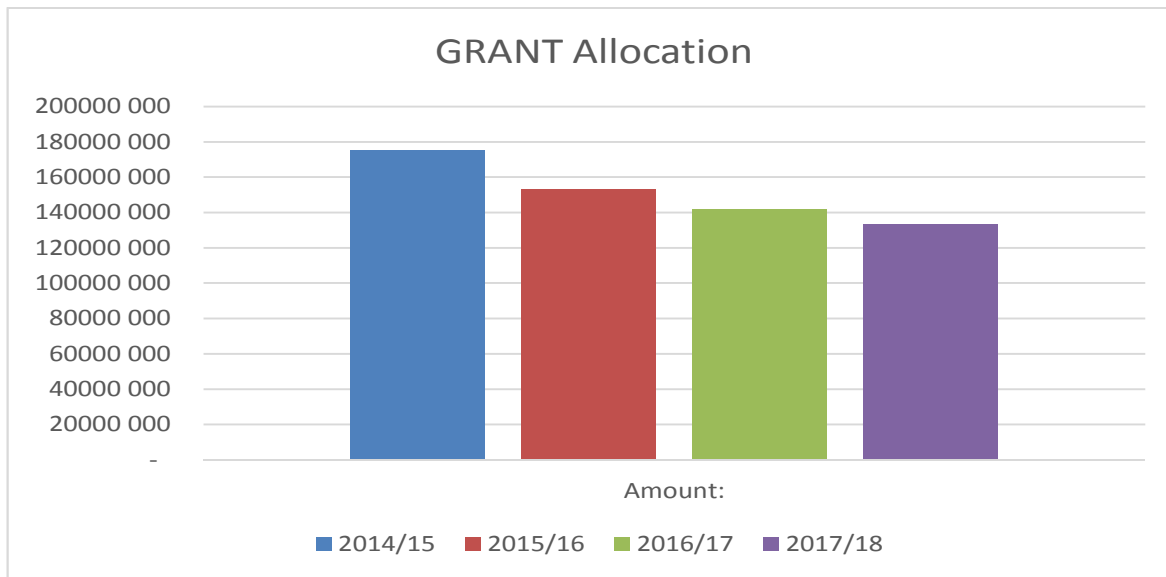
There is however a noticeable decline on Municipal Infrastructure grant funding, as outlined below.

GRANT	2014/15		2015/16		2016/17		2017/18	
Schedule 5, Part B								
FMG (Financ Management Grant)	1 800 000	1%	1 875 000	1%	2 010 000	1%	2 345 000	2%
MSIG (Municipal Infr Grant)	930 000	1%	930 000	1%	957 000	1%	1 033 000	1%
EPWP (ext Public Works Prog)	1 034 000	1%	1 000 000	1%	-	0%	-	0%
MIG (Municipal Infra Grant)	43 248 000	25%	28 753 000	19%	29 778 000	21%	31 315 000	22%
INEP (intergrated National Electr Programme)	2 000 000	1%	-	0%	2 000 000	1%	5 000 000	4%
ES (Equitable Share)	126 199 000	72%	120 422 000	79%	107 030 000	75%	93 457 000	70%
<b>Total</b>	<b>175 211 000</b>		<b>152 980 000</b>		<b>141 775 000</b>		<b>133 150 000</b>	
Schedule 6 part B of the DORA - Designated special programmes								
RBI (Reg Bulk Infr Grant)		18 000 000		17 000 000		15 000 000		-
INEP (ESKOM)		1 011 000		809 000		3 011 000		3 566 000
<b>Total</b>		<b>19 011 000</b>		<b>17 809 000</b>		<b>18 011 000</b>		<b>3 566 000</b>

## 2.8 Allocations and grants made by the municipality

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### **2.9. Councillors allowances and employee benefits**

There are critical vacant posts which have been identified to be filled during the current financial year and in 2013-14 financial year.

This review of the organogram will lead in the increase in employee related costs and benefits.

The budgeted salaries have increased by 3.3% of R3.2 Million about 27% compared to the budget. Of a concern is the fact the revenue did not increase with the same rate which brings a serious threat in terms of the financial sustainability of the municipality. Auditor General of South Africa has already raised a going concern issue for the municipality.

Though the municipality wants to fill critical vacant posts, such post must be prioritised. Expenditure thereon must be in the same proportion as the additional revenue.

### **2.10. Monthly targets of revenue, expenditure and cash flow**

The municipality has over the years been in a position to bill all its budgeted revenue. However, the challenges have been on revenue collection due to a number of factors both internal and external.

Councillors are given the debtors book by wards to encourage the community to pay for services.

This meant that the municipality had to prioritise its spending as the spending is informed by availability of cash. Therefore, the spending on operational expenditure has been marginally less than anticipated due to cash flow constraints. Nevertheless, the municipality has not been able to meet its financial obligations as they become due, during the course of the 2014-15.

Although the municipality has been operating with a negative cash flow balance for over three financial years, the revenue base of the municipality has decreased drastically with raise in economic factors. This meant that the municipality had very little to contribute towards capital expenditure. To date, the

municipality contributes less than 5% towards capital budget and depend heavily on grants and subsidies from both national and provincial government, for its operational budget.

### **2.11. Annual budgets and service delivery and budget implementation plan: internal departments**

The departmental service delivery implementation plan are at a draft stages and will be completed after adoption of the annual budget in order to form the high level of the municipal service delivery and budget implementation plan to be approved by the mayor, 28 days after the annual budget has been approved.

### **2.12. Annual budgets and service delivery agreements: municipal entities and other external mechanisms**

The municipality does not have an entity and there are no services that are provided by through external mechanism.

### **2.13. Contracts having future budgetary implications**

The municipality does not intend to enter into contracts that have future budgetary implications. In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the BTO.

### **2.14. Capital expenditure details**

The total capital expenditure budget as listed in the project list above.

The other balance on the MIG will be funding the PMU related costs. The other funding is from internal funds as indicated in Table A5.

### **2.15. Legislation compliance**

Due to capacity constraints, the municipality has been experiencing challenges in terms of compliance to MFMA. However, there has been substantial improvement in terms of compliance. Reporting to National Treasury in electronic format was fully complied with on a monthly basis where there have been challenges of compliance; such challenges were reported to Provincial Treasury.

#### **2.15.1. In year reporting**

Section 71 reporting to the Mayor will be submitted in Schedule C of the MBRR and plans are in place to update the website and published financial performance on the municipality's website. It is the intention of the municipality (Councillors and Management) to move beyond compliance but rather focus on the quality of reports that are required in terms of various legislations.

#### **2.15.2. Internship programme**

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Budget and Treasury Office.

The interns are undergoing training with Kgolo institute and their contracts will subsequently expire by the end of September 2015.

### **2.15.3. Budget and Treasury Office**

The Budget and Treasury Office has been established in accordance with the MFMA.

The challenge has been on recruiting, appointing and retaining competent personnel (especially with relevant accounting skills and municipal experience).

### **2.15.4. Service Delivery and Implementation Plan**

The detailed SDBIP document is at a draft stage and will be finalised after approval of the 2014-15 Annual Budget in May 2015. Much still needs to be done from now till then to ensure direct aligned between the IDP, MTREF and SDBIP.

### **2.16. Other supporting documents**

The documents mentioned below are attached as annexures to the annual budget:

- (a) Tariff list

### **2.17. Municipal Manager's quality certificate**

The Municipal Manager's quality certificate as required by the Municipal Budget and Reporting Regulations is attached in the next page.

NALA LOCAL MUNICIPALITY  
2015-16 Medium Term Expenditure and Revenue Frame Work

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**NALA LOCAL MUNICIPALITY**



FOR ENQUIRIES PLEASE SPEAK TO

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**OFFICE OF THE MUNICIPAL MANAGER**

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**Municipal manager's quality certificate**

I ....., Municipal manager of Nala Local Municipality, hereby certify that the first draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name \_\_\_\_\_

Municipal manager of Nala Local Municipality\* (FS185)

Signature \_\_\_\_\_

Date \_\_\_\_\_